



H. ROE BARTLE HALL

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2002-15  
February 21, 2002  
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**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2002

**The following problems were discovered as a result of an audit conducted by our office of the H. Roe Bartle Hall.**

Since August 1996, the city's contract with its food service vendor has resulted in payments of management fees and sales incentives totaling approximately \$2.1 million. Office space and utilities are provided to the vendor in return for 100 percent of the food service vendor's net profit. The Convention and Entertainment Centers Department (CECD) did not solicit proposals for the food service contract which was signed in 1996. The contract was negotiated with the vendor with the aid of an independent consultant. Because the food service contract was not bid, convention center officials have little assurance that food services are being obtained from the most qualified vendor at the lowest and best cost.

In March 2001, the CECD allowed the food service vendor to retain approximately \$173,000 in profits owed to the city due to anticipated losses in future months. The contract with the vendor states the net profits will be remitted to the CECD within 20 days after the close of the month.

The terms of the contract with the food service vendor appear to place the full burden for any net losses incurred by the vendor on the department. The contract states that the department shall compensate the food service vendor for any net losses incurred, in addition to the management and incentive fees. Additionally, the department has not performed adequate procedures to monitor compliance with provisions in the food service contract.

The box office collects approximately \$100,000 in ticket sales monthly. The problems noted with the box office accounting include:

- Deposits are not always made on a timely basis.
- Independent verification of the box office ticket sales is not always performed at the end of the day by the box office manager.
- Access to the box office vault and safe is not adequately restricted.
- Internal audits of the box office are not performed on a timely basis nor have these audits been effective in noting areas where procedural changes or improvements were needed.

(over)

YELLOW SHEET

The CECD collects monies related to conventions and other events. These monies are held in the city treasury until the account is settled at the end of the event. Prenumbered receipts are not issued nor is an immediate record of receipts maintained and checks are not restrictively endorsed until deposits are prepared.

The Convention and Entertainment Centers Department of the city of Kansas City had over \$2.2 million in fixed assets recorded on the inventory listing based on the physical inventory performed during February 2001. Prior to February 2001, the most recent physical inventory had been performed in 1997. The detailed fixed asset records are not complete and fixed asset additions are not recorded in the fixed asset records in a timely manner. In addition fixed asset duties are not adequately segregated.

The management of the CECD has not developed criteria for determining and limiting access to the Kansas City Convention Center complex. The structure contains approximately 1.8 million square feet of space and has approximately 500 exterior doors. Many of the exterior doors to the convention center, including revolving doors and employee entrances, remain unlocked at all times. The KCCC currently has a staff of nine security officers. Only 2-3 security officers are on duty during various times of the day, including one officer who remains in the security office monitoring internal cameras. Security for events is handled through a contracted security company, but this only covers the portion of the complex where the event is being held. Security standards for granting and maintaining access to the KCCC complex should be in place to ensure that the CECD can safeguard its assets and ensure the safety of the public, its employees and clients.

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H. ROE BARTLE HALL

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STATE AUDITOR'S REPORTS



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

Honorable Kay Barnes, Mayor  
and  
Members of the City Council  
Kansas City, MO 64106  
and  
Jacquelyn D. White, Commissioner  
Office of Administration  
Jefferson City, MO 65102

We have audited the H. Roe Bartle Hall. The scope of this audit included, but was not necessarily limited to, the years ended April 30, 2001 and 2000. The objectives of this audit were to:

1. Review certain management practices and financial information for compliance with applicable constitutional provisions, statutes, regulations, and administrative rules.
2. Review the efficiency and effectiveness of certain management practices.
3. Review certain revenues received and expenditures made by the convention center.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed the Kansas City Convention and Entertainment Centers Management Advisory Authority meeting minutes, and the convention center's revenues, expenditures, contracts, applicable legal provisions, rules and regulations, and other pertinent procedures and documents, and interviewed convention center and other city personnel.

As part of our audit, we assessed the convention center's management controls to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to management controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information may have come to our attention that would have been included in this report.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the convention center's management and was not subjected to the procedures applied in the audit of the H. Roe Bartle Hall.

The accompanying Management Advisory Report presents our findings arising from our audit of the H. Roe Bartle Hall.



Claire McCaskill  
State Auditor

September 6, 2001 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
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MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

H. ROE BARTLE HALL  
MANAGEMENT ADVISORY REPORT-  
STATE AUDITOR'S FINDINGS

**1.**

**Food Service Contract**

The city's Convention and Entertainment Centers Department (CECD) contracts with a food service vendor to provide catering services for clients who hold events at the convention center. Since August 1996, the city's contract with its food service vendor has resulted in payments of management fees and sales incentives totaling approximately \$2.1 million. The CECD also provides the food service vendor general office space and utilities to operate the vendor's catering business, including catering services for events held at locations other than the convention center. The office space and utilities are provided to the vendor in return for 100 percent of the food service vendor's net profits. During our review, we noted the following concerns with the food service contract:

- A. The CECD did not solicit proposals for the food service contract which was signed in 1996. According to CECD personnel, the contract was negotiated with the vendor with the aid of an independent consultant. In addition, the contract with the food service vendor expired August 31, 2001. The CECD operated without a food service contract for most of September 2001, although the same vendor was used for events and payments were made under the terms of the old contract. A new contract was signed September 28, 2001, with the same food service vendor under terms similar to the previous contract. This extension will expire April 30, 2002.

CECD officials indicated that requests for proposals for a new food service contract will be issued by February 2002. Because the food service contract and extensions of this contract were not bid, convention center officials have little assurance that food services are being obtained from the most qualified vendor at the lowest and best cost. Soliciting proposals and entering into a competitive bidding process provide the CECD a means to select the vendor best suited to provide the services required. Bidding policies and practices would provide the convention center officials with a range of possible choices that should allow for an informed decision to be made when acquiring necessary services.

- B. During March 2001, the CECD allowed the food service vendor to retain approximately \$173,000 in profits owed to the city based on an oral agreement with a CECD employee. The contract with the vendor states that net profits will be remitted to the CECD within 20 days after the close of the month. The CECD indicated they allowed the food service vendor to retain the profits because of anticipated losses in future months.

Any changes to contract terms and amounts should be supported by written contract amendments. These amendments should also be signed by each of the

parties or their agents. In addition, the CECD should require the food service vendor to distribute the profits when due to maximize revenues.

- C. The terms of the contract with the food service vendor appear to place the full burden for any net losses incurred by the vendor on the department. Such provisions do not appear to be fair and equitable to all parties. The food service vendor operated at a net loss of approximately \$15,000 during the contract year that ended August 31, 1999. The contract states that the department shall compensate the food service vendor for any net losses incurred, in addition to the management and incentive fees. Therefore, the department provided these management and incentive fees, totaling over \$500,000, to the food service vendor without receiving any compensation in return.

The CECD should review the terms of the contract and add language which would adequately protect the department from a loss in the event that the food service vendor does not show a net profit.

- D. The department has not performed adequate procedures to monitor compliance with the food service contract. During our review, the following areas of noncompliance with the contract terms were noted:

1. The CECD allowed the food service vendor to claim charges for small wares, such as utensils, in excess of the contract limitation, during the contract years ended August 31, 1999, and 2000, and the period ended April 30, 2001. The contract states that only one-half of one percent of catering sales is allowed to be charged for the replacement of small wares. Any replacements of small wares in excess of one-half of one-percent are to be paid by the food service vendor. The charges claimed in excess of the contract limitation were as follows:

	<b>Period Ended</b>	<b>Contract Year</b>	
	<b>April 30,</b>	<b>Ended August 31,</b>	
	<u><b>2001</b></u>	<u><b>2000</b></u>	<u><b>1999</b></u>
Amounts claimed by vendor	\$ 89,536	114,013	29,850
Amounts allowed by contract	<u>12,549</u>	<u>18,642</u>	<u>10,079</u>
Excess Charges	\$ 76,987	95,371	19,771

The amounts charged by the food service vendor represented amounts reported as Kitchen and Restaurant Supplies for the years ended August 31, 1999, and 2000, and the period ended April 30, 2001, which includes only the charges for small wares. By allowing these excess charges to be claimed, the net profits of the food service vendor were reduced and, therefore, the amount of profits remitted to the CECD were also reduced. In addition, if these items had been properly charged during this time

period, the net loss charged to the CECD during the contract year that ended August 31, 1999, would have been avoided.

2. The food service vendor charges approximately \$20,000 annually for repair and maintenance of equipment. The contract states that a representative of each of the parties shall inspect the equipment at the beginning of each contract year to determine the condition of the equipment. Only the repair and maintenance deemed necessary at that time is allowable to be charged as a direct operating cost in determining net profit. A representative from the department has never inspected the equipment of the food service vendor during the term of the contract.

The CECD should review the monthly documentation received from the food service vendor to ensure its payments under the contract were proper. The CECD should also monitor the activities conducted under its contracts to ensure all provisions have been met. In addition, the CECD should seek recoveries for payments which were not in compliance with the contract.

**WE RECOMMEND** the CECD:

- A. Solicit bid proposals for all contractual and professional services.
- B. Ensure formal written amendments are prepared and approved for all changes to contract terms or amounts.
- C. Ensure provisions are added to the food service contract which adequately protect the department in the event of a loss.
- D. Adequately review and monitor the payments and activities conducted under the food service contract to ensure compliance with all provisions and seek recovery for payments made which were not in compliance with the contract.

**AUDITEE'S RESPONSE**

- A. *CECD will issue a Request for Proposal (RFP) in early 2002 for services to be rendered beginning May 1, 2002. This process will allow CECD officials to negotiate with the firms submitting proposals and to select the vendor best suited to provide the services required. A Request for Bids (RFB) does not allow the city to negotiate with the firms submitting bids. CECD does follow City contracting guidelines and City Law Department opinions when it contracts for contractual and professional services.*

*CECD disputes some of the findings contained in the report on this subject. A new contract, expiring April 30, 2002, became effective with the same food service vendor on September 1, 2001.*

*Although CECD did not solicit proposals in 1996 before the contract was finalized, proposals were solicited in 1994 before the current food service vendor was selected and a contract was signed. Due to improvements made to the facility in 1996, which were financed by tax-free bonds, the City's Bond Counsel advised the City's Law Department that the 1994 contract was in violation of IRS regulations. Consequently, a new agreement, tailored to comply with IRS regulations, was executed with same vendor, which was originally selected in 1994. The current vendor was selected through a competitive process.*

- B. Beginning immediately CECD agrees to prepare formal written amendments to contracts for all material changes to contract terms or amounts.*
- C. When the new contract for food services is crafted, CECD will, to the extent possible, protect itself against operating losses.*

*CECD disputes one of the findings in the report on this subject. The language of the current contract was written to comply with IRS regulations, as interpreted by the City's Bond Counsel and the City's Law Department. Although the "provisions do not appear to be fair and equitable to all parties" CECD has limited options on the requirements placed on the vendor by IRS regulations. CECD did provide management and incentive fees to the vendor in excess of \$500,000 for the year stated. However, included in these fees are reimbursements to the vendor for interest costs and for funds advanced by the vendor for capital improvements to the facility. These amounts were \$132,281.28 for the reimbursement of funds provided and reimbursement of interest costs of \$53,365.00. Since these are true costs of CECD and not of the operator, the net profit of the operations by the vendor is \$170,219.00 before interest and vendor reimbursement costs.*

- D. CECD currently reviews and monitors the payments and activities conducted under the food service contract.*

*CECD disputes some of the finding contained in the report on this subject. The ½ of 1% applies to "replacement" not "additional" small wares needed to service customers. Much of the costs contained in the amounts listed by the auditor for "Kitchen and Restaurant Supplies" were for additions to the inventory and not for replacement of supplies due to negligence of the operator as stated by the auditor. These purchases were made to enable the vendor to provide better service and to serve large events. It is an incorrect assumption by the auditor that the category used by the vendor to identify small ware costs was exclusively used for replacements.*

*According to the building manager, "The Maintenance Division performs an annual inspection of concession premises for defects in the operation of mechanical, fire suppression, refrigeration and electrical equipment". Repairs are made to the equipment as necessary in order to provide services to the users of the facilities. If equipment breaks down or needs repair between the annual inspections it does not seem to be practical or reasonable to wait until the next annual inspection.*

## AUDITOR'S COMMENTS

- A. Negotiating with the firms submitting proposals will not make this process competitive. The Request for Proposal should include the requirements of the contract and specify what the CECD expects of the food service vendor. If negotiations are necessary once the proposals are received, the CECD should consider whether a new RFP should be issued to retain the competitive aspects of the process.

Contrary to the implication of the auditee's response, the CECD did allow the contract with the food service vendor to expire at the end of August, 2001, and operated for nearly a month without a contract, until a new contract was signed on September 28, 2001.

The proposals solicited in 1994 were not available for our review, but the CECD indicated substantial changes were made to the contract between 1994 and 1996 based on recommendations from the city's law department. A new RFP was not issued in 1996 prior to selecting the current vendor, which did not allow other vendors to compete for this contract.

- C. Interest costs and capital improvements reimbursements were used in the calculations by the vendor to determine net profit or loss each year of the contract. These costs are allowed as deductions per the terms of the contract and were not unique costs during the year in question. Our point remains that the terms of the contract need to be reviewed to protect the CECD when the food service vendor has a net loss.
- D. The contract does not allow a deduction for purchases of "additional" small wares after the first year. According to the contract, only "replacement" of small wares was allowed to be charged, and the amount was limited to one-half of one percent, which was exceeded in the last three years of the contract. If "additional" small wares were needed by the vendor, the CECD should have formally modified the contract to allow for this charge.

The areas which are currently inspected annually by the building manager are the responsibility of the CECD. The building manager indicated to us during the audit that he does not inspect the food service vendor's equipment annually. While it may not seem practical or reasonable to wait until the next annual inspection to repair or replace equipment which breaks down, the terms of the contract allow only the repair and maintenance deemed necessary during the annual inspection to be charged as an operating cost. Since these annual inspections were not performed, the food service vendor should not have been allowed to charge approximately \$20,000 per year for repair and maintenance of equipment.

- A. Deposits are not always made on a timely basis. The box office collects approximately \$100,000 in ticket sales monthly. We noted several deposits made in April 2001 that contained monies which had been on hand for five to seven days. In addition, the agreement with Ticketmaster requires that monies received by the department for Ticketmaster sales be deposited at least twice weekly, but we noted instances where monies received for Ticketmaster were on hand for more than two weeks.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be deposited intact daily or when accumulated receipts exceed \$100.

- B. Independent verification of the box office ticket sales is not always performed at the end of the day by the box office manager. Verification of daily ticket sale totals at day-end by the box office manager is necessary to ensure that the amount of ticket sales charged, collected, and deposited is complete and accurate.
- C. Access to the box office vault and safe is not adequately restricted. Employees of the box office are given key codes to allow them access to the box office area and the combination allowing them access to the box office safe. While these key codes provide a means to limit access to the box office area, the key codes have never been changed. In addition, while the box office manager indicated the combination to the vault was changed in April 2001, we noted an instance where the vault and the safe were unlocked and left open during the day. In another instance, we noted the safe was left open and a ticket seller's drawer was unlocked when no one was present in the box office.

To ensure proper control over box office receipts and records, employee access records should be reviewed and updated periodically to determine whether the access is compatible with the employee's job assignments and to adequately restrict access to authorized personnel. In addition, key codes should be changed periodically and the cash drawer, safe, and vault should be closed and locked at all times when not in use.

- D. Internal audits of the box office are not performed on a timely basis nor have these audits been effective in noting areas where procedural changes or improvements were needed. The department has assigned the duty of performing internal audits of the box office to one of the accounting department employees. While the department's policy states that audits of the box office records should be performed every two weeks, we noted that an internal audit of the box office had not been performed for over a month. In addition, the internal audits performed did not note any inefficient or ineffective procedures being performed in the box office.

Internal audits can be a valuable management tool by identifying inefficient or ineffective operations and ensuring that department policies and procedures are being followed, if they are performed timely and in accordance with department policy. In addition, the internal audits should include a detailed review of office procedures to ensure that ineffective procedures are detected.

**WE RECOMMEND** the CECD and the city:

- A. Deposit monies daily or when accumulated receipts exceed \$100.
- B. Ensure an independent verification of the box office ticket sales is performed on a daily basis.
- C. Ensure that the key codes allowing access to the box office area and combinations to the safe in the box office are reviewed and updated periodically. In addition, cash drawers, the vault, and safe should remain closed and locked when not in use.
- D. Ensure that thorough independent audits of the box office are performed in compliance with department policy.

**AUDITEE'S RESPONSE**

- A. *It is, and always has been, the intention of CECD to make deposits on a timely basis.*
- B. *Daily seller reports are currently prepared. If staffing allows, based upon volume of business, sales are reviewed at the close of the business day.*
- C. *Within 30 days, CECD will begin to review and periodically update the key codes, locks, and combinations to the doors, vault and safe.*
- D. *A member of the Accounting staff, the "Cash Accountant" currently audits the cash in the box office every two weeks. Within 60 days these audits will be more thorough and will review more than the cash on hand.*

<b>3. Trust Fund Accounting Controls and Procedures</b>
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The CECD collects monies related to conventions and other events. These monies represent initial space and service deposits, subsequent payments, and some proceeds from ticket sales that are held in the city treasury until the account is settled at the end of the event. Our review of the trust fund and the controls surrounding it disclosed the following areas in need of improvement:

- A. Records and controls related to monies received are not adequate. Prenumbered receipts are not issued when monies are received nor is an immediate record of

receipt maintained which accounts for all monies received and deposited. Adequate records and controls are necessary to ensure that all monies received are accounted for properly.

- B. Checks are not restrictively endorsed until deposits are prepared. To reduce the risk of loss or the misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

**WE RECOMMEND** the CECD and the city:

- A. Issue prenumbered receipt slips for all monies received and require an immediate record of all trust fund monies received and deposited be maintained and periodically reviewed.
- B. Restrictively endorse all checks and money orders immediately upon receipt.

**AUDITEE'S RESPONSE**

- A. *CECD agrees to this recommendation in principal. However, clients submit event deposits and invoice payments, contrary to our instructions, to various employees in the Department.*
- B. *CECD has requested additional check endorsement stamps and will begin using them when received.*

<b>4. General Fixed Assets</b>
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The CECD of the city of Kansas City had over \$2.2 million in fixed assets recorded on the inventory listing based on the physical inventory performed during February 2001. Our review of the department's general fixed asset records and procedures indicated the following areas where improvements are needed:

- A. Fixed asset additions are not recorded in the fixed asset records in a timely manner and are not reconciled to equipment purchases to ensure that all items are properly recorded. Fixed asset purchases are handled by the city of Kansas City. The city's policy for the recording of the fixed assets is to forward a fixed asset addition report to Bartle Hall quarterly. During our audit period, we noted numerous fixed asset additions that were not added to the general fixed asset records at Bartle Hall.

The failure to properly record and reconcile property items reduces the control and accountability over fixed assets and increases the potential for loss, theft, or misuse of assets.

- B. A physical inventory of the fixed assets is not performed on an annual basis. The city's policy is to perform a physical inventory every two years. The most recent inventory was performed during February 2001. Prior to this physical inventory, the most recent physical inventory had been performed in 1997. In addition, the detailed fixed asset records are not complete. We noted assets totaling over \$60,000 that were not included on the fixed asset inventory listings.

Annual physical inventories are necessary to establish proper accountability over fixed assets. If properly performed, an annual inventory could help detect items not recorded on the inventory records.

- C. Fixed asset duties are not adequately segregated. The same person performs the bi-annual inventory and maintains the records of fixed assets. To provide internal control and to adequately safeguard assets from theft or misuse, the annual physical inventory should be performed by an individual independent of the custodial and record keeping functions.

Adequate general fixed asset records and procedures are necessary to provide internal control over assets and to ensure proper valuation of assets.

**WE RECOMMEND** the CECD and the city:

- A. Ensure general fixed asset purchases are added to the fixed asset records in a timely manner and periodically reconcile fixed asset additions to records of equipment purchases.
- B. Conduct an annual physical inventory and reconcile the physical inventory to the fixed asset records.
- C. Ensure an individual independent of the record keeping function performs the physical inventory.

**AUDITEE'S RESPONSE**

*CECD currently follows City policies for Fixed Assets reporting and record keeping.*

<b>5. Security Policies and Procedures</b>
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During our review of the H. Roe Bartle Hall, we noted that the management of the CECD has not developed criteria for determining and limiting access to the eight square block Kansas City Convention Center (KCCC) complex. The structure contains approximately 1.8 million square feet of space and has approximately 500 exterior doors, although several entrance and exit sites have multiple doors. There are many of the exterior doors to the convention center, including revolving doors and employee entrances, that remain unlocked at all times.

The KCCC currently has a staff of nine security officers. However, only 2-3 security officers are on duty during various times of the day. This includes one officer who remains in the security office for the observation of internal cameras and 1-2 officers to patrol the convention center complex. Security for events held at the KCCC is handled through a contracted security company, but this only covers the portion of the complex where the event is being held. The management of the CECD indicated problems, including vagrancy and theft, have occurred in recent years. For example, during February 1998 a van assigned to the KCCC was reported stolen. The vehicle still has not been recovered.

Security standards to document the criteria to be used for granting and maintaining access to the KCCC complex should be in place to ensure that the CECD can safeguard its assets and to ensure the safety of the public, its employees and its clients. This is the first step and a key concept in the development of an adequate security architecture.

**WE RECOMMEND** the CECD and the city reevaluate the security policies in place and consider developing new security standards to document the criteria to be followed for granting, maintaining, and monitoring access to the KCCC complex.

#### **AUDITEE'S RESPONSE**

*CECD and the Citywide Security Manager are currently working to improve facility security. However, any improvements suggested by CECD and the Citywide Security Manager are subject to the City's current budgetary constraints.*

This report is intended for the information of the management of H. Roe Bartle Hall and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

FOLLOW-UP ON PRIOR AUDIT FINDINGS

H. ROE BARTLE HALL  
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by H. Roe Bartle Hall on findings in the Management Advisory Report (MAR) of our prior audit report issued for the four years ended April 30, 1994.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the convention center should consider implementing those recommendations.

1. State Appropriated Funds

The Missouri General Assembly had appropriated \$2 million annually to the Office of Administration (OA) to be used by the City of Kansas City for Bartle Hall. Even though the language of the appropriation bills had specified that the monies were to be used "for the Bartle Hall Convention Center expansion in Kansas City pursuant to Sections 67.638 through 67.641 RSMo...", the city had expended these state appropriated monies for general operating costs of the existing Bartle Hall.

Recommendation:

The City work with the OA in clarifying the language and intent of any appropriation bills related to future state funding for Bartle Hall.

Status:

Implemented. The state appropriation bill for fiscal year 2002 states that the state appropriations may be used for "Bartle Hall.....expansion, operations, development and operations...".

2. Payments to Convention and Visitor's Bureau

The City's Convention and Entertainment Centers Department had a contract with the Convention and Visitor's Bureau of Greater Kansas City (CVB) to perform functions and provide services for the city, including but not limited to tourism promotion, publicity and advertisement, media relations at local, state, and national levels, and the creation and direction of special events to attract visitor's to Kansas City. The City's Convention and Entertainment Centers Department made additional payments to the CVB in excess of the city's contractual obligation, totaling over \$38,000 for the two years ended April 30, 1994, which appeared to have been included within the scope of the original contract. Of this amount, \$31,500 was not covered by supplemental written contracts.

Recommendation:

The City reevaluate those services in which the CVB was contractually obligated to provide to the city and determine whether the additional payments made to the CVB were justified and appropriate. If it is determined that these payments represent services outside the original contract and the city believes its interests are best served by obtaining these expanded services, such arrangements should be covered by written contracts.

Status:

Implemented. The city has added a clause to the contract with the CVB allowing the city to reimburse up to \$20,000 for these joint marketing efforts between the City's Convention and Entertainment Centers Department and the CVB. The Director of Sales for the CVB must review and approve the reimbursement requests. There were no additional payments made to the CVB during the two years ended April 30, 2001.

3. Convention Center Trust Fund

The city's Convention and Entertainment Centers Department (CECD) maintained a bank account outside the city treasury to deposit monies received related to conventions or other events. Our review of the trust fund and the controls surrounding it disclosed the following areas needing improvement:

- A. Records and controls related to monies received were not adequate. Prenumbered receipt slips were not issued nor was any type of ledger maintained accounting for monies received and deposited. In addition, it appears that monies were initially received and handled by several event coordinators prior to being turned over to the trust fund custodian for deposit.
- B. The trust fund bank account had not been reconciled for some time. We subsequently determined that the convention center employees reconciled the account as of November 30, 1994; however, an examination of the bank reconciliation disclosed that five checks totaling \$1,652 had been outstanding since at least May 1993.
- C. Event deposits and subsequent payments were not made on a timely basis.
- D. Monthly listings of convention deposits held in trust were not prepared and reconciled to the book balance.
- E. The CECD had not established a formal policy or guidelines detailing event deposit requirements. While an informal deposit requirement of \$250 a day did exist, it appeared that deposits were not always required from organizations with scheduled events.

- F. The trust fund custodian frequently made cash advances from the trust fund account to the box office for purposes of making change for various events. The trust fund custodian maintained no control record documenting any amounts advanced to the box office or when these amounts were repaid.
- G. The trust fund had not been subjected to annual audits or other independent reviews by another city department.

Recommendations:

The CECD and the city take steps to improve the records and controls surrounding this bank account and the monies deposited into it. These include, but are not necessarily limited to, the following procedural changes:

- A. Ensure that the responsibility for the receipt and initial recording of monies received is vested in one individual or central function. In addition, a complete record of all monies received should be maintained and be reconciled periodically to bank deposits.
- B. Ensure bank reconciliations are prepared on a monthly basis. In addition, convention center employees should follow-up on any old outstanding checks and resolve them in a timely manner.
- C. Ensure monies received are deposited on a timely basis.
- D. Ensure formal listings of event deposits held in trust are prepared on a monthly basis and reconciled to the book balance.
- E. Ensure a formal policy is established detailing event deposit requirements. In addition, any waivers of the deposit requirements should be approved in advance by appropriate officials.
- F. Ensure the trust fund custodian maintains a control record which accounts for any amounts advanced to the box office as well as their subsequent repayment.
- G. Consider establishing independent audit or other oversight requirements for the trust fund.

Status:

- A. Not implemented. See MAR No. 3
- B&D. Implemented. The trust fund has been turned over to the city treasury. City employees perform bank reconciliations and follow-up on old outstanding checks monthly. The CECD prepares monthly listings of event deposits and these records are matched to transactions recorded by the city's Finance Department.

- C. Implemented. The advance deposits are turned over to the city treasury on a daily basis.
- E. Partially Implemented. Deposits are now required for all events. However, a formal policy still has not been established detailing the event deposit requirements. Although not repeated in the current MAR, our recommendation remains as stated above.
- F. Implemented. The trust fund no longer makes advances to the box office.
- G. Implemented. The trust fund is now adequately monitored since the monies are now maintained in the city treasury.

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

## H. ROE BARTLE HALL HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

The H. Roe Bartle Hall is the primary exhibition and convention facility owned and operated by the city of Kansas City, Missouri. It is administered by the city's Convention and Entertainment Centers Department (CECD) to provide expanded economic impact and public relations for the city.

The original H. Roe Bartle Hall structure was dedicated July 8, 1976, at a cost of approximately \$27 million. This structure contained approximately 186,000 square feet of exhibition space. The expansion project, begun in 1990, added an additional 202,500 square feet of exhibition space plus a new 133,000 square foot Conference Center. The construction and other costs related to the project totaled approximately \$140 million. The new H. Roe Bartle Hall was formally dedicated September 24-26, 1994. In addition, the city of Kansas City has received and spent approximately \$2 million annually in state monies appropriated by the Missouri General Assembly for Bartle Hall.

The H. Roe Bartle Hall is part of the eight square block Kansas City Convention Center Complex. In addition to the H. Roe Bartle Hall, the complex includes the Municipal Auditorium featuring the Exhibition Hall (86,000 square feet), the Arena (10,500 seats), the Music Hall (2,400 seats), and the Little Theatre (5,000 square foot ballroom). The complex is connected by covered walkways to a 1,100-car covered parking garage topped by a square block outdoor park.

The city collects a convention and tourism tax comprised of 1.75 percent on food, beverage, and liquor sales from restaurants (the "restaurant tax") and 5.5 percent on gross receipts of hotel and motel room sales (the "hotel tax"). Restaurant tax receipts are restricted to capital improvements or debt service and are dedicated to paying debt service requirements on the KCMAC Bartle Hall Expansion Bonds. Hotel tax receipts are dedicated by the city to paying operating costs of the Convention Center Complex.

By state law, city ordinance, and contract, 40 percent of the hotel tax receipts are paid to the Convention and Visitor's Bureau of Greater Kansas City (CVB). According to the contract with the city, the CVB performs tourism promotion, publicity and advertisement, media relations, creation and direction of special events, establishment and direction of background information on tourist attractions, functions, and other services for the city.

Convention Center Complex rent and concession revenues were approximately \$5 million for each year during the two years ended April 30, 2001. Hall rates ranged from \$1,000 per day to the greater of \$26,250 or \$.75 per square foot used per day, depending on the type of event and hall size.

The Convention Center Complex operating expenditures ranged from \$11.8 to \$11.9 million annually during the two years ended April 30, 2001. The city has budgeted operating expenditures of approximately \$12 million for the year ended April 30, 2002. The increase is primarily due to the growing concession sales revenue and space rental charges. At the time of our review, William LaMette was the Director of the CECD. As of September 2001, the Convention Center Complex had approximately 150 full-time employees performing various administrative, operational, and event service functions.

**H. ROE BARTLE HALL  
SCHEDULED EVENTS  
YEARS ENDED APRIL 30, 2000 AND 2001**

<b>Facility</b>	<b>Number of Scheduled Events</b>	
	<b>2000</b>	<b>2001</b>
<b>Bartle Hall</b>	<b>146</b>	<b>128</b>
<b>Meeting Rooms</b>	<b>829</b>	<b>800</b>
<b>Music Hall</b>	<b>72</b>	<b>72</b>
<b>Little Theater</b>	<b>75</b>	<b>76</b>
<b>Municipal Arena</b>	<b>53</b>	<b>64</b>
<b>Exhibit Hall (at Municipal Auditorium)</b>	<b>12</b>	<b>15</b>
<b>Barney Allis Plaza</b>	<b>23</b>	<b>18</b>
<b>Conference Center Complex</b>	<b>893</b>	<b>796</b>
<b>Total</b>	<b>2,103</b>	<b>1,969</b>

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